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THE SITUATION IN THE CARIBBEAN
THROUGH 1960

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Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

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Concurred in by the

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on 29 December 1959. Concurring were the Director of Intelligence and Research, Department of State; the Assistant Chief of Staff for Intelligence, Department of the Army; the Assistant Chief of Naval Operations for Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, USAF; the Director for Intelligence, The Joint Staff; the Director of Operations to the Secretary of Defense, Special Operations; and the Director of the National Security Agency. The Atomic Energy Commission Representative to the USIB, and the Assistant Director, Federal Bureau of Investigation, concurred, the subject being outside of their jurisdiction.

Approved W. I. O'LEARY
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THE SITUATION IN THE CARIBBEAN THROUGH 1960¹

THE PROBLEM

To estimate the prospects for political stability in the Caribbean in 1960 with particular reference to Cuba, Panamá, and Guatemala.

CONCLUSIONS

Cuba

1. Barring his assassination, we believe that Fidel Castro has at least an even chance of remaining in power through 1960. Neither the deteriorating economic situation nor the growing but disorganized opposition appears likely to present a serious threat to Castro's position. If he were eliminated, Raúl Castro and Che Guevara—both staunch pro-Communists if not actual Communists—would probably assume control. However, it is unlikely they would be able to maintain control for long and Cuba would almost certainly be in for a period of violent political upheaval and terrorism. (Paras. 14-16, 24, 29-31)

2. Communist influence will almost certainly continue to increase in 1960, largely as a result of the influence the Communists exert through Raúl Castro and Che

Guevara and Communist success in placing adherents in key positions in the government. Nevertheless, we do not believe that during this period the Communists will be able to force Fidel Castro to adopt policies to which he is opposed. (Paras. 11-13, 25)

3. We believe that, at least for the period of this estimate, Castro's attitude and policies will further the objectives of the Communists who will try to avoid giving Castro any cause for believing that they are seeking to move in on his position as leader. In these circumstances it is unlikely that Castro will take the drastic action necessary to curb their growing influence. In fact he probably will become increasingly dependent on them and he may turn more to the Bloc for assistance. (Paras. 25-27)

4. Castro, while proclaiming a neutralist policy, will almost certainly continue to maintain a strong anti-US position. If the US were to take economic action against Cuba, such as reducing the Cuban sugar quota or eliminating the price dif-

¹This estimate supplements ENR 28-50, "The Situation in the Caribbean through 1960," 28 June 1959, and parallel sections of ENR 150-3-50, "Threats to the Stability of the US Military Facilities Position in the Caribbean Area and Brazil," 10 March 1959.

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DISCUSSION

I. THE SITUATION AND OUTLOOK IN CUBA

A. The Present Situation

B. Introduction. After a year of power the Castro regime remains a revolutionary movement in political turmoil. Its leader, Fidel Castro has moved ahead vigorously with a radical nationalist program which seeks to free the mass of the people from what he considers to be their economic and political servitude to the wealthy classes and to US

interests in Cuba. He has, however, failed to establish a coherent set of political and economic structures. In this fluid situation extreme radical elements, almost all of whom are anti-US and many of whom are pro-Communist, are more and more taking over the direction of the government and the economy.

10. Castro appears to have been motivated not only by his social ideals but also by an overriding ambition to strengthen his image as the Cuban national liberator. Inexperienced

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In government and highly sensitive to criticism, he has proceeded in an often inept, highly unpredictable, and sometimes irrational manner. To counter growing opposition, Castro is now directing his appeal almost exclusively to students, workers, and peasants, whom he has begun to arm. These elements, together with the bulk of the original 26th of July Movement and of the Cuban armed forces, now composed largely of former rebels, constitute the base of Castro's political support. In short, Castro seems to be more and more preoccupied with defense of the revolution and with assuring the continuation of his own monopoly of power.

11. To the extent that the Castro revolution is a first step in a fundamental social revolution, disorders, violence and anti-US demonstrations can be viewed as inevitable. The situation is complicated by the presence of a well organized Communist Party, again one of the strongest in Latin America. The party is exploiting the chaotic conditions of contemporary Cuba and Castro is making little effort to curb it.

12. In this atmosphere of radical change, erratic leadership, and anti-US sentiment, the most dangerous aspect is the opportunity given to international communism to strengthen its position in Cuba and the Caribbean area. While the USSR for some time gave little propaganda attention to Castro, it more recently came out strongly in favor of his regime as a national liberation movement. Communist China, which has become increasingly interested in Latin America, is also involving itself in Cuban affairs.

13. *The Communist Party.* While the numerical strength of the Cuban Communist Party (Popular Socialist Party—PSP) has not risen significantly above the June 1959 estimate of 17,000 members, the influence of the Communists has expanded considerably. The PSP maintains extremely active press and front organizations and continues to expand its organization, while the old-line political parties remain dormant, demoralized, and inactive. Avowed Communists continue to build on their pre-1959 base in trade unions, the educational field, and the entertainment industry.

The top Communist party leaders have, for the most part, remained in the background, and the party has deliberately refrained from an all-out membership drive or other actions which might cause Castro to regard it as a competitor for political power. The Communists have had great success in penetrating the 26th of July Movement and in exerting influence primarily through Raúl Castro and Che Guevara, both staunch pro-Communists if not actual Communists. Through them they have been able to place their supporters in key positions throughout the principal areas of government, particularly in the powerful Agrarian Reform Institute.

14. *The Government.* The Cuban Government continues to be dominated by Fidel Castro who rules as a dictator. There is no prospect of elections and the regime has increasingly restricted individual liberties. Castro has ousted the first revolutionary President, Urrutia, who dared to protest growing Communist influence, and has reorganized the cabinet to give key positions to his extreme leftist advisers. The power of Raúl Castro was increased when he was given control of Cuba's newly created Ministry of Revolutionary Armed Forces. His comrade Che Guevara, who for a while held a top post in the Agrarian Reform Institute, recently replaced a moderate as President of the National Bank. The new labor minister is a follower of Raúl Castro, and his counterpart in the important public works ministry is probably a Communist. Moreover, many other important governmental functions are rapidly being absorbed by the Agrarian Reform Institute, which is headed by a pro-Communist and in which Communists and leftists are gaining strength. In addition, the general level of competence in executive agencies is deteriorating rapidly as experienced, moderate officials leave the government and their jobs are filled by youthful and inexperienced radicals.

15. *The Military.*² The regime has attempted to strengthen its control by unifying and reorganizing the armed forces, the police, and investigative agencies under the single ministry

²For Military Strengths of the Caribbean countries, see the attached Annex.

banded by Raúl Castro. Nevertheless, the armed forces, whose officers were purged and largely replaced by the guerrilla leaders after the revolution, remain in a state of confusion. In an effort to contain dissidence, the regime has carried out at least two more large-scale purges which have seriously undermined military morale. These purges followed the resignations of the Air Force Chief Diaz Lanz, now in exile, and Huber Matos, a respected provincial army commander who has been sentenced to 20 years on a charge of treason. Both of these men resigned in protest against growing leftist and Communist influence on the regime. While most of the army is probably loyal to Castro, it is undisciplined and disorganized and has little military capability except for guerrilla operations. The air force, largely purged of its dissidents and stripped of nearly all trained pilots and maintenance personnel, is also now probably for the most part loyal, but has ceased to exist as an effective combat arm. The loyalty of the navy, the service least affected by the revolution, is doubtful.

16. *Organized Labor.* Organized labor in Cuba did not climb on the Castro bandwagon until the moment of Batista's departure. In the subsequent maneuvering by the Premier to bring labor under the influence of the 26th of July Movement, the important Communist minority in organized labor increased its influence at both the local union level and in the national directorate of the Confederation of Cuban Workers (CTC). The 26th of July Movement has received more than one rebuff from organized labor, and, although a protégé of Raúl Castro now heads the Ministry of Labor, Raúl appears to have been more helpful in furthering the goals of Communist elements than in extending the influence of the regime. He was instrumental in persuading the delegates to the recent CTC Congress to elect three pro-Communists to key spots on its directorate and to disaffiliate from ORIT, the western-oriented, hemisphere labor organization. He is also encouraging the creation of a purely Latin American labor confederation. Since the CTC Congress, several prominent anti-Communist labor leaders have been

ousted. Because of these recent developments and the increasing strength of the Communist minority, organized labor is losing its independence.

17. *The Economic Situation.* After it took power, the government committed itself to an economic policy designed to break the dominant position of the relatively few wealthy Cubans and of foreign, principally US, capital. Although no clearly delineated program has been announced, it is clear that a high degree of government direction, if not government ownership, is envisaged. Broad decrees have been issued giving government agencies, particularly the Agrarian Reform Institute, wide powers to intervene in the economy.

18. In the past six months the regime's drive to tighten its control over private business has accelerated. Outright expropriation of property is only now beginning, but there is widening apprehension in the business community caused by the regime's erratic, arbitrary, and often ruthless intervention in the economy. The appointment of Che Guevara as President of the National Bank brought forth a spontaneous expression of public lack of confidence in the government's financial policy. Depositors withdrew at least \$50,000,000 of savings from banks. However, the economic situation, while deteriorating, is not yet critical, and in some respects, notably that of food production, has improved somewhat.

19. Castro's lieutenants have imposed a network of sweeping state controls over the private sector of the economy and have taken over supervision of a variety of foreign and locally-owned properties including cattle ranches, telephone companies, petroleum concessions, domestic airlines, and hotels. Some of these are scheduled for expropriation as are a number of other enterprises, including sugar plantations and mills, oil refineries, and insurance and banking enterprises, which as yet are not under government control. Sharp reductions in rents and utility rates and increases in wages have been ordered by the government; the tax structure has been revised, and tax collection made more effective.

20. Business has responded to these measures, and to the appointment of Che Guevara to the Presidency of the Cuban National Bank, by restricting credit and reducing investments. Private construction, discouraged by fixed low rentals, has virtually halted. As a consequence of the general business slowdown, unemployment, always high during the May-November slack season in the sugar industry, was higher in 1959 than in previous years. Public works initiated by the regime to relieve unemployment pressure are causing a heavy strain on the national budget. The cost of living is rising, partly because of a reduction of imported goods, and partly because of increases in the purchasing power of lower income groups.

21. On the other hand, despite the reverses noted above, the Castro regime has avoided crises expected in its international payments and in the budget. While 1959 exports were below normal and tourist expenditures and capital inflow were cut sharply, imports were sharply curtailed and outpayments on tourist and investment account likewise declined. The estimated resulting 1959 balance of payments deficit is less than in recent years. However, total Cuban foreign exchange reserves are dangerously low, standing at \$50 million according to Castro, as compared to \$111 million at the end of 1958 and a 1959 peak of \$149 million reached in May. The national budget deficit, according to preliminary estimates, will be considerably smaller than in 1958 reflecting increased receipts including collection of back taxes.

22. Because Cuba has a predominantly agricultural economy, the outcome of the agrarian reform program will have an important bearing on economic stability. It is not yet clear whether the program will be a success or a failure. To date no major agricultural holdings have been broken up, and indeed in most cases the old management remains, although under the supervision of government agents. Following the establishment of cooperatives and the assignment of unused lands to landless farm workers, there has been some increase in the production of foodstuffs. The land reform program will not affect the 1960 sugar crop, since the government does not

expect to take over large cane lands until after the spring harvest. Thus the major test of Castro's agrarian reform program will come after this date.

23. *Foreign Policy.* The Castro regime has abandoned Cuba's previous pro-Western, anti-Communist position. It has indicated that it will follow a neutralist policy, and will align itself with the underdeveloped nations of Asia and Africa. It has assumed an increasingly strong anti-US position. At the same time, there has been virtually no criticism of the Communist Bloc and a favorable attitude toward increased relations with the Bloc. Manifestations of this new policy have been: Cuba's withdrawal from the hemisphere anti-Communist labor organization and its plan to set up purely Latin American labor and student organizations; abstention on the vote to seat Communist China in the UN; threats to withdraw from the Organization of American States; and the increased number of cultural and trade group exchanges between Cuba and the Bloc.

B. The Outlook

24. *The Regime.* Barring his assassination—which could occur at any time—we believe that Fidel Castro has at least an even chance of remaining in power through the next year. Castro's elimination would have an immediate and drastic effect on political stability. Raúl Castro, his appointed heir, and Che Guevara, Raúl's close associate, would probably assume control of the government. It is unlikely, however, that they would be able to maintain control for long, and Cuba would be in for a period of violent political upheaval and terrorism.

25. *The Communists.* Communist influence in the regime will almost certainly continue to increase in 1960. Nevertheless, we do not believe that during this period the Communists will be able to force Fidel Castro to adopt policies to which he is opposed. It is possible that the unpredictable Castro might turn against the Communists if he came to feel that his authority was threatened by them. If he decided to do so, his popular appeal probably would be sufficient to insure his position.

However, we believe that, at least for the period of this estimate, Castro's attitude and policies will further the objectives of the Communists who will try to avoid giving him any cause for believing that they are seeking to move in on his position as leader. In these circumstances, it is unlikely that Castro will take the drastic action necessary to curb their growing influence. In fact he probably will become increasingly dependent on them and he may turn more to the Bloc for assistance.

26. Thus, the outlook within Cuba for the Communists is increasingly favorable. In addition their ability to complicate Caribbean affairs and to exacerbate Cuban-US relations will increase over the next year. However, their leaders will probably try to avoid provoking intervention by the US or the OAS.

27. The USSR probably will encourage the local Communists to gain as much position and influence as they can, and is prepared to offer considerable comfort and assistance to an anti-American, neutralist regime.

28. **The Opposition.** Despite Castro's still widespread lower class support, we believe that opposition to him will continue to grow in many important sectors of Cuban society. As a result of his extreme policies, the opposition now includes virtually all of the upper class, much of the middle class, important members of the Catholic hierarchy, many intellectuals and professionals, some military personnel, and—within the government and the 26th of July Movement—a growing number of disillusioned moderates.

29. As the base of Castro's political support narrows, and as Castro comes more and more to believe that he is in a beleaguered fortress assailed both from within and without Cuba, it is likely that his actions will become increasingly intemperate. At the same time, it is also likely that his opponents in these circumstances will tend to coalesce and find some moderate leader. However, at the present time we know of no such leader who is capable of unifying the opposition. While armed attacks from exile groups or even armed resistance groups inside Cuba are probable, we do

not believe that such attacks currently pose a serious threat to Castro, in spite of the disorganized state of the Cuban armed forces.

30. **The Economy.** Cuba's economic position will probably not become so precarious as to result in serious political consequences during the period of this estimate. Despite the internal economic frictions resulting from government efforts to increase state direction of the economy, it is probable that the Castro government will be able to maintain a viable economy for at least the period under consideration. It is almost certain that there will be a further reduction of national income as the impact of government policies comes to be felt. Unless the agrarian reform program results in a serious cut in agricultural production, we believe that this reduction in national income will not be of any great magnitude. In view of the government's policy of redistributing income, the standard of living of the great majority of the population probably will show no decline and may even improve.

31. A substantial reduction in Cuba's sugar quota in the US market or the elimination of the favorable price differential would have an adverse effect on the country's economy. However, even if such a reduction were made by US congressional action this year, its effects would not be reflected in Cuba's export earnings until 1961. The political impact, however, would be immediate and adverse for the US in Cuba and in much of Latin America.

32. **US-Cuban Relations.** In the year ahead, the outlook for US relations with Cuba is dark. There is no likelihood that the regime will desist from using the US as a whipping boy or from attempting to sell its anti-American line in Latin America. On the contrary, its anti-US actions probably will be intensified, particularly if the US Congress reduces Cuba's sugar quota or if US-based anti-Castro groups attack the regime. Even though the regime has made little reference to the US Naval Base at Guantanamo in the past, Cuba will almost certainly press for an upward revision of benefits from the base. They may also impose certain restrictions on the use of this facility and might even demand US evacuation.

23. It is possible that US-Cuban relations could degenerate to the point where the safety of US nationals was in serious question. Should the inadequacy of routine evacuation efforts necessitate the use of US military forces to cover the evacuation process, Latin American reaction would probably be varied. In general, however, Latin American reaction would largely be determined by the Cuban response.*

24. Should the US decide that direct military intervention were necessary to preserve its security interests in the area, most Cubans, including the military, would react violently. However, some Cubans would welcome such intervention, and might at least passively assist the operation. Most Latin Americans would probably regard US unilateral action as an unjustified invasion of Cuban territory, but most governments would probably not object seriously to such action if the situation in Cuba had degenerated into anarchy and terrorism. OAS sponsorship of intervention is highly unlikely short of outright Cuban aggression against another state.

25. *Other International Relations.* The Castro regime probably will continue to move away from Cuba's traditional alignment with the West in the UN and will probably resume diplomatic relations with the USSR and recognize Communist China. Castro's attempt to head a neutralist bloc in Latin America will have little success in view of the apprehension and dislike aroused by Castro among area leaders. Preoccupation with its increasingly difficult domestic problems may work to reduce the regime's involvement in Caribbean revolutionary movements, but these movements will continue to derive considerable inspiration and at least some assistance from Castro's regime in Cuba.

*The Director of Intelligence and Research, Department of State would delete the last sentence of the paragraph and amend the second sentence to read as follows: "Should the inadequacy of routine evacuation efforts necessitate the use of US military forces to cover the evacuation process, most Latin Americans would oppose such action unless acquiesced in by the Cuban Government itself."

II. THE SITUATION ELSEWHERE IN THE CARIBBEAN

A. Introduction

26. Fidel Castro emerged from revolutionary victory as a symbol for those forces seeking to destroy the old order throughout the Caribbean. His disruption of things traditional in Cuba, his flouting of the US, and his aggressive antidictatorship campaign put new life in exiled and domestic revolutionary groups of several Caribbean countries, many of which he materially supported. In so doing, the Castro regime became the prime mover behind a rash of unsuccessful invasion attempts against Panamá, Haiti, and the Dominican Republic, and provided support for rebel incursions into Nicaragua.

27. Castro's early policy of supporting and even sponsoring movements aimed at overthrowing other authoritarian or oligarchic regimes in the Caribbean suffered setbacks, and it now operates only on a spasmodic basis. The prompt OAS intervention against the Cuban-based invasion of Panamá last spring and Castro's growing preoccupation with domestic affairs have also contributed to a decline in revolutionary activity in the area. The possibility remains that Castro may at any time revive and even step-up his earlier policy of actively encouraging revolutionary invasions against Caribbean dictatorships.

28. In fact, the Castro revolution has tended in certain ways to strengthen the position of other authoritarian regimes, e.g., those of Nicaragua and the Dominican Republic. Moderates and conservatives with no love for authoritarian rule in their countries, but fearful of the implications of drastic social and economic upheaval on the Cuban model, have rallied to support the status quo.

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